



STATE OF INDIANA

DEPARTMENT OF REVENUE OFFICE OF THE COMMISSIONER

Indiana Government Center North
100 North Senate Avenue, Room N248
Indianapolis, Indiana 46204-2253

TO: Elaine Bedel, President
Indiana Economic Development Corporation

George Angelone, Executive Director
Legislative Services Agency

Jason Dudich, Director
State Budget Agency

FROM: Adam J. Krupp, Commissioner
Indiana Department of Revenue

RE: Report on Patent Income Exemptions

DATE: February 15, 2017

Pursuant to IC 6-3-2-21.7(j), the Indiana Department of Revenue submits this report to the Indiana Economic Development Corporation (IEDC), Legislative Services Agency (LSA), and State Budget Agency (SBA) regarding the exemption from adjusted gross income or taxable income under IC 6-3-1-3.5 or IC 6-5.5-1-2 for certain income derived from patents.

I. Statutory Requirement

Pursuant to IC 6-3-2-21.7(j), the Indiana Department of Revenue is required to submit an annual report to the IEDC, LSA, and SBA containing (1) the number of taxpayers claiming a patent income exemption, (2) the sum of all the patent income exemptions claimed, (3) the North American Industry Classification System (NAICS) code for each taxpayer claiming a patent income exemption¹, and (4) any other information the Department considers appropriate. Pursuant to IC 5-14-6, the Department is required to submit the report in an electronic format.

II. Data for Tax Year 2015

For tax year 2015², 52 taxpayers, comprised of three business entities and 49 individuals, claimed the patent income exemption found at IC 6-3-2-21.7. The sum of patent income exemptions claimed was \$2,534,739. For the business entities claiming the exemption, only one

¹ Any reference to a NAICS code refers to the NAICS code for the entity in the records of the Indiana Department of Revenue.

² References to a tax year are to the first day of the tax year. For example, a tax year beginning July 1, 2014, and ending June 30, 2015 is treated as tax year 2014.

business claiming the exemption provided a NAICS Code. That business had a listed NAICS code of 722110 (full-service restaurant). No individuals who claimed the exemption provided a NAICS code.

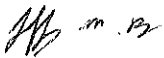
III. Data for Previous Tax Years

In addition to the deductions claimed for tax year 2015, additional returns processed for prior tax years but after the issuance of the last report resulted in allowed exemption claims on four entity returns and four individual returns. These deductions totaled \$4,396,875 for tax year 2014 and \$4,392 for tax year 2008. For the business entities claiming the exemption, only one business claiming the exemption provided a NAICS code. The business, which claimed the exemption for tax year 2014, had a listed NAICS code of 336300 (motor vehicle parts manufacturer). No individuals who claimed the exemption provided a NAICS code.

If you have any questions or concerns, please feel free to contact me. You may also contact Jeff Raney, Statistician, Tax Policy with any questions or concerns. Mr. Raney's contact information follows my own below.



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